young business men and merchants are proud of their country and are inclined to be annoyed by visitors who confine their attention to the antiques and "quaint" sights of Bahrain, ignoring modern buildings and new enterprises. Graduates of Bahrain and foreign schools are go-ahead in their outlook and are determined to modernise Bahrain as much as possible; for this purpose they are willing to break with many of the traditions of the past, which are so often of interest to Europeans and Americans. Despite this, the young men of Bahrain appreciate meeting the foreigners who live in or visit their country.

CHAPTER III

THE STATE

BAHRAIN has been in treaty relations with the British Government since 1820. Its relations with the British Government and with other foreign governments are conducted through the British Political Agent in Bahrain. Bahrain is also the headquarters of the Political Resident in the Persian Gulf, who lives at Jufair.

The Head of the State is His Highness Shaikh Sulman bin Hamed al-Khalifah, K.C.M.G., K.C.I.E., who was born in 1894, the eldest son of the late Ruler, Shaikh Hamed bin' Isa al-Khalifah, K.C.I.E., C.S.I. He succeeded his father in 1942 and has three sons: Their Excellencies Shaikhs 'Isa, Khalifah and Muhammad, and seven brothers. Shaikh Sulman is the tenth Shaikh of the Khalifah family to rule in Bahrain since it was conquered by his ancestor Shaikh Ahmed bin Khalifah in 1782.

The form of government can be described as a benevolent autocracy; the Ruler governs his State through Arab and British officials, who are in charge of the various departments of State, and by means of councils and committees consisting of elected and nominated members representing the different communities. Shaikhs of the Ruling Family preside over many of the councils and hold posts in the administration.

The principal government departments are the Adviserate (The Secretariat), Customs, Education, Electricity, Finance, Judical, Lands, Police, Public Health, Public Works, Passports, Religious Endowments etc., etc. In the towns of Manama, Muharraq, Hedd and Rifaa there are municipalities; the first of these was established in Manama in 1920.

The revenue of the State is mainly derived from oil royalties, including payments on oil which is imported for refining, and from customs dues on imports. There is no income tax and no land tax but in the towns there is a small municipal tax on houses, shops and places of business. The revenue of the State for the year 1370 A.H. (October 1950—October 1951) was Rupees 25,155,700 (£1,866,000) and the estimated revenue for 1372 (September 1952—September 1953) is much greater owing to a revision of the oil payments by which the

Bahrain Government receives 50% of the profits of the oil industry. 652
The Eastern Bank, since it was established in 1919, has served as the State's Treasury and a Budget is published every year showing the revenue and expenditure of the State.

The Customs Directorate is in the centre of the Manama sea front 651
and there are subsidiary offices in Muharraq Town, at the Airport 439
and at Sitra. All goods of any kind which are imported or exported 504
must pass through the customs. The Customs Pier at Manama, which was originally built in 1917, has frequently been lengthened and enlarged and now extends for a quarter of a mile out to sea. Owing to shallow water, vessels in the Manama harbour have to anchor some three miles from the shore and passengers and cargo are conveyed to and from the steamers by launches, barges and sailing dhows. The port and storage facilities in Bahrain are better than elsewhere in the Gulf and importers are allowed to retain their goods in the customs premises for ninety days before re-exporting them. There are usually about 90-100 sailing vessels and launches alongside and anchored off the pier, these come from other Gulf ports, from the west coast of India and from the Red Sea. Walking down the customs pier one sees many interesting types of vessels and sea-faring Arabs from all parts of the Gulf and beyond it.

On the west of the entrance to the Pier is the Passport Office. 486
Passport Officials go aboard all passenger vessels and are present at the Airport when aircraft arrive. Bahrain has had its own passports since 1929.

On the south side of the Square, which has a little garden in the 344
centre of it, is the "Bab al-Bahrain," the Gateway of Bahrain, consisting of two large blocks of office buildings with an archway in the centre. On the south side of the western block there is a fine old Arab door and on the balconies of the buildings as well as around the garden in the Square there are cement panels containing Arabesque patterns copied from old buildings in Bahrain.

The Bab al-Bahrain contains the finance and accounts department 344
where all payments to the Government for electricity, water, etc., etc., 655
are made, the Land Department which deals with sales and registration 423
of property and questions about boundaries and ownership of land, the registration of sales being compulsory, and several other government offices. His Highness has a reception room overlooking the 643
square on the first floor of the building where he sits on Wednesday mornings. Here he receives any visitors who wish to call on him and sees people who present petitions. On Monday mornings he visits the Municipal Buildings at Muharraq where he holds a similar reception.

East of the Customs, on the sea front, is the Law Courts Building 692
which contains a number of different courts including religious courts presided over by the Qadis of the Sunni and Shia sects. Certain foreigners, including British, Americans, Pakistanis and Indians are under the judicial authority of H.B.M.'s Political Agent. In mixed

REVIEW OF 1372

000 The two most important events during the year were the conclusion of a new oil agreement between the Government and the Bahrain Petroleum Company and His Highness Shaikh Sulman's first visit to Europe to attend the coronation of Her Majesty Queen Elizabeth.

471 651 439 The new oil agreement was on a 50—50 basis on the same lines as other agreements which have recently been made between governments and oil companies in the Middle East, it also provided for a payment to the State on oil imported into Bahrain for refining. As a result of this agreement the total revenue for the year under review was 373½ lakhs of rupees, approximately £2,800,000, though the new scale of payments was not in operation throughout the whole of 1372.

652 657 Expenditure was higher than in 1371. Excluding the one third of the oil revenue, which is paid to the Privy Purse, 48 per cent. of the State's expenditure was on social and public services; Education, Public Health, Public Protection and grants to Municipalities absorbed 18¼ per cent., 15-3/8 per cent., 10-4/5 per cent., and 3 per cent. respectively, including capital expenditure on new schools, dispensaries and police quarters. The demand for more schools and hospitals is continuous and insistent but few Bahrain people realise the heavy recurrent cost of medical and education services which can be maintained on the present scale only as long as the present revenue continues.

651 511 342 471 Trade flourished and the revenue from customs was higher than in the previous year; during recent years customs collections have risen annually. Local prosperity was apparent from what might be described as a building boom. Many new houses and shops were built in the towns and suburbs by private enterprise. The type of house varied from European style bungalows and blocks of flats, built by merchants and shaikhs for letting, to small stone houses which are gradually replacing barastis, palm branch huts. Several serious fires in barasti areas, which destroyed many dwellings, gave an impetus to building. Working men who owned pieces of ground built small houses and the Government received hundreds of applications from people who wished to buy building plots. Unfortunately the Government owns very little land in and around the towns, much of it having been given away or sold cheaply many years ago.

511 167 161 The standard of living in Bahrain is very much higher than it was a few years ago and the health of the people is noticeably better than it used to be. For these reasons and owing to a steady influx of foreigners, mostly from Oman and the Trucial Coast, who come to Bahrain to work, it is believed that there has been a substantial increase in the population which at the time of the last census, in 1950, was found to be 110,000.

578 The state of public security was good in spite of the presence of large a number of foreigners who are not as naturally law abiding as the people of Bahrain. There were no political or labour disturbances.

648 439 Relations with Quatar deteriorated owing to incidents connected with the visit of a party of Bahrain schoolboys and school teachers to Zubara during the Spring holiday. The commercial development of Qatar tended to reduce Bahrain's transit trade and deprived some of the Bahrain merchants of agencies which used to include both Bahrain and Qatar. Relations with Saudi Arabia and Iraq were friendly, a deputation headed by Shaikh Isa bin Sulman, His Highness's eldest son, represented Bahrain at the coronation of King Faisal in Baghdad.

[Minor's Estates Department]

Disbursements for maintenance amounted to Rs. 108,800, almost exactly the same sum as was paid out in the previous year. At the beginning of the year the number of orphans and widows who were drawing allowances was 442, of these 36 attained majority and took over their property, cash payments to them totalled Rs. 182,500.

The Department built four houses in Manama and Muharraq and carried out repairs to a number of other buildings, the expenditure under this heading was Rs. 78,000.

As usual the funds held by the Department together with funds placed at its disposal by the Government were given out on loan to the public, at interest, secured by title deeds of immovable property or gold. The rates of interest charged by the Department are low in comparison to those prevailing in the market.

During the year the Government placed with the Department a further 2½ lakhs, making its total deposit Rs. 10,80,000.

Interest on loans collected during the year was Rs. 1,46,000, there is a scale of interest depending upon the amount of the loan, the average rate of interest during the year was 6 per cent.

Loans repaid to the Department during the year amounted to Rs. 19,29,000, about 3 lakhs more than in 1371, new loans, made to the public, were approximately 24½ lakhs. At the end of the year 24½ lakhs were on loan to the public.

DEPARTMENTAL ACCOUNT

Receipts			Expenditure		
Balance from 1371 ..	Rs.	16, 585 6 10	Maintenance allowances, etc.	Rs.	1,08,876 9 0
From estates and compensation cases		1,31,249 1 8	Purchase of properties		9,380 0 0
Rents		1,96,394 13 4	Upkeep of buildings and additions ..		78,325 15 11
Refund of Loans ..		19,29,600 0 0	Payments to the beneficiaries		1,82,511 10 0
Interest on Loans ..		1,46,040 0 0	Loans advanced ..		24,40,250 0 0
Deposits		2,09,051 12 5	Balance in the Eastern Bank		1,25,205 9 1
Loan from Government		2,50,000 0 0			
By sale of properties ..		50,451 4 3			
Debts recovered ..		15,127 5 6			
Total	Rs.	29,44,499 12 0	Total	Rs.	29,44,499 12 0

LAND REGISTRATION DEPARTMENT

(From the report of Mr. Abdul-Aziz Al Saleh, acting Superintendent of the Department)

Land Registration. There were 1,072 transactions during the year which included 628 sales, 262 registration of titles and 182 gifts; the properties which were dealt with consisted of 273 plots of ground, most of them being building sites, 82 gardens, 47 shops and 26 miscellaneous lots. Fees amounting to Rs. 1,27,975 were collected of which Rs. 1,20,781 was derived from sales and Rs. 7,194 from registration of titles, etc

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ESTIMATED EXPENDITURE—PUBLIC WORKS

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NON-RECURRENT

WORKS IN PROGRESS (COMPLETION OF CONSTRUCTION):

Staff Quarters	1,50,000	
School Teachers' Quarters	1,00,000	
Police Houses (Contract)	1,50,000	
Palace	9,00,000	
Customs Shed	50,000	
Customs, New Jetty, etc.	1,50,000	
Workmen's Houses	75,000	
Miscellaneous	50,000	
		16,25,000

NEW CONSTRUCTION WORKS:

Police Station, etc., Budaiya	75,000	
Muharraq Primary School Extension	1,50,000	
Secondary School Extension	1,00,000	
Girls' School (Part Cost)	4,50,000	
Primary School, Quadabiya	4,00,000	
Village Schools (Contract)	75,000	
Police Houses (Contract)	1,50,000	
Medical Quarters, Awal Road	6,00,000	
Women's Hospital	10,00,000	
Broadcasting Station	75,000	
Customs Shed	1,50,000	
Workmen's Houses (Contract)	4,00,000	
		36,25,000

MISCELLANEOUS APPROVED WORKS	8,00,000
NEW ROADS	3,50,000
Rs.	64,00,000

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MAIN WATER SUPPLY

OPERATING ACCOUNT

YEAR 1370

Expenditure	Rs.	Rs.	Revenue	Rs.
To Establishment Costs	31,496 4 7		By Sales of Water and Rental of Metres	2,03,761 3 0
To Electric Power at Pump House	15,622 0 0		By Miscellaneous Receipts	5,460 0 0
To Upkeep and Repairs to Mains	22,745 0 0			
		69,863 4 7		
To Reserves for Bad Debts	2,105 0 0			
To Depreciation on Capital fixtures	1,13,630 0 0			
		1,15,735 0 0		
Balance being Profit carried to Profit and Loss Account		23,622 14 5		
	Rs.	2,09,221 3 0	Rs.	2,09,221 3 0

PROFIT AND LOSS ACCOUNT

	Rs.		Rs.
To loss at end of 1369	1,45,788 14 2	By Profit for 1370 brought forward	23,622 14 5
		By Loss carried forward to 1371 account	1,22,165 15 9
Rs.	1,45,788 14 2	Rs.	1,45,788 14 2

OPERATING ACCOUNT

YEAR 1371

Expenditure	Rs.	Revenue	Rs.
To Establishment Costs	51,415 12 4	By Sales of Water and Rental of Meters	2,50,422 0 0
To Electric Power at Pump House	17,435 14 0	By Miscellaneous Receipts	3,780 12 0
To Upkeep and Repairs of Mains	13,585 0 0		
To Depreciation	1,29,284 0 0		
	2,11,720 10 4		
Balance being profit carried to Profit and Loss Account	42,482 1 8		
Rs.	2,54,202 12 0	Rs.	2,54,202 12 0

PROFIT AND LOSS ACCOUNT

	Rs.		Rs.
To Loss at end of 1370	1,22,165 15 9	By profit for 1371 account	42,482 11 8
		By Loss carried forward to 1372 A/c.	79,683 14 1
Rs.	1,22,165 15 9	Rs.	1,22,165 15 9

OPERATING ACCOUNT

YEAR 1372

Expenditure	Rs.	Revenue	Rs.
To Establishment Costs	59,876 6 0	By Sales of Water and Rental of Meters	2,71,411 1 0
To Electric Power at Pump House	15,500 10 0	By Miscellaneous Receipts	6,322 12 0
To Upkeep and Repairs of Mains	15,224 11 3		
To Depreciation (see note below)	1,67,583 0 0		
	2,58,184 11 3		
Balance being Profit carried to Profit and Loss Account	19,549 11 9		
Rs.	2,77,734 7 0	Rs.	2,77,734 7 0

PROFIT AND LOSS ACCOUNT

	Rs.		Rs.
To Loss at end of 1371	79,683 14 1	By Profit for 1372 account	19,549 11 9
		By Loss carried forward to 1373 A/c	60,134 2 4
Rs.	79,683 14 1	Rs.	79,683 14 1

NOTE : The rate of depreciation on Water Mains has been doubled this year ; and an extra sum of Rs. 25,000 charged against expenditure, to cover this increase.

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BAHRAIN ELECTRICAL DEPARTMENT

BALANCE SHEET AS ON 1st JANUARY, 1954

Liabilities				Assets			
CAPITAL ACCOUNT :				**PLANT AND MACHINERY :**			
Bahrain Government		60,50,000 0 0		*Generation Section :*			
				Power House and Buildings	7,96,609 0 1		
SUNDRY CREDITORS :				Power House Equipment	75,472 1 7		
Bahrain Government	32,077 0 9			Oil Tank	3,180 14 0		
Bahrain Petroleum Co.	47,437 8 0			Oil Filter	7,683 2 2		
		79,514 8 9		Water Distillation Plant	94,854 13 8		
RESERVES :				Cooling Tower Equipment	60,709 9 1		
Depreciation Reserve	7,61,090 7 6			Engine Set No. 4	93,082 2 1		
Operating Reserve	4,89,748 11 11			Engine Set No. 5	1,47,167 4 3		
Reserve for Bad Debts	12,774 0 0			Engine Set No. 6	1,46,307 0 1		
		12,63,613 3 5		Engine Sets Nos. 7 and 8	3,61,569 6 9		
Consumers Dep.		1,01,432 10 0		Engine Set No. 9	3,17,731 4 2		
				Engine Set No. 10	2,49,770 13 9		
				Engine Sets Nos. 11 and 12	6,60,086 1 0		
						30,14,223 8 8	
				Distribution Section :			
				Feeders, Sub-Stations, Switchgear and Distribution Lines	21,05,326 3 6		
				Meters	2,73,723 13 3		
						23,79,050 0 9	
				MOTOR VEHICLES		66,250 0 0	
							54,59,523 9 5
				GENERAL STOCK :			
				Stock on hand	14,17,720 6 8		
				Stock in transit	1,24,199 5 6		
							15,41,919 12 2
				SUNDRY DEBTORS :			
				Energy Debtors	1,99,111 4 0		
				Service Debtors	6,243 0 0		
				Wiring Debtors	50,129 6 0		
							2,55,483 10 0
				CASH IN HAND :			
				Imprest Account	8,000 0 0		
				Eastern Bank (Current Account)	1,28,200 12 7		
				Eastern Bank (Con. Dep.)	1,01,432 10 0		
							2,37,633 6 7
		Rs. 74,94,560 6 2				Rs.	74,94,560 6 2

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BAHRAIN ELECTRICAL DEPARTMENT

SUB-DIVIDED RECAPITULATED PROFIT AND LOSS ACCOUNT FOR 1372 AND PERIOD ENDED 31st DECEMBER, 1953

ELECTRICAL SECTION — Expenditure					Receipts			
Generation :					*Revenue :*			
Materials, Maintenance and Repairs		5,37,173	8	11	Sales of energy and rental of Meters	17,44,322	6	0
Establishment Costs		2,26,764	14	2				
Insurance		23,095	12	0				
Depreciation—Power House and Buildings		19,513	0	0				
Power House Equipment		3,774	0	0				
Oil Tank		80	0	0				
Oil Filters		480	0	0				
Water Distillation Plant		5,928	0	0				
Cooling Tower and Equipment		6,070	0	0				
Engine Set No. 4		7,757	0	0				
Engine Set No. 5		12,264	0	0				
Engine Set No. 6		9,144	0	0				
Engine Sets Nos. 7 and 8		22,598	0	0				
Engine Set No. 9		19,858	0	0				
Engine Set No. 10		23,415	0	0				
Engine Sets Nos. 11 and 12		10,314	0	0				
				9,28,229	3	1		
Distribution								
Materials, Maintenance and Repairs		1,08,832	6	10				
Establishment Costs		2,08,683	11	1				
Depreciation—Feeders, Sub-Stations, Switchgears and Lines		1,05,266	0	0				
				4,22,782	1	11		
Meters								
Maintenance and Repairs		6,032	2	0				
Establishment Costs		43,332	9	0				
Depreciation		13,686	0	0				
				63,050	11	0		
NET PROFIT				3,30,260	6	0		
			Rs.	17,44,322	6	0	Rs.	17,44,322 6 0

WIRING AND MISCELLANEOUS JOBS :								
Materials	3,37,215	0	6		*Revenue :*			
Establishment Costs	60,839	5	9		Wiring, Sundry Sales and Sundry Jobs	3,38,225	8	0
			3,98,054	6	3	Service	73,065	12	0
NETT PROFIT			13,236	13	9				
		Rs.	4,11,291	4	0		Rs. 4,11,291	4	0

RECAPITULATION								
NETT PROFIT—Added to Operating Reserve			3,43,497	3	9	NETT PROFIT—Electrical Section	3,30,260	6	0
						NETT PROFIT—Wiring Section	13,236	13	9
		Rs.	3,43,497	3	9		Rs. 3,43,497	3	9

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FINANCE

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Revenue and Expenditure 1372. The total revenue in 1372 was 373½ lakhs. There was an increase in revenue from almost all sources, the largest increase being the the oil revenue which was 39½ lakhs more than in 1371. Customs receipts were 8 lakhs higher ; the income from the Reserve Fund was 3 lakhs more than in the previous year and the all-round increase was 58 lakhs. The additional revenue from oil was due to the new arrangement under which certain payments were received during the year 1372.

Expenditure was considerably higher than in the previous year. Without the payment of one-third of the oil revenue to the Privy Purse, which amounted to over 80 lakhs, and excluding unforeseen expenditure and non-recurrent public works, the cost of maintaining the present administration, Government Departments, Education, Public Protection, Public Health, Maintenance of buildings and roads, etc., etc., was 20 lakhs more than in 1371.

More money was spent upon Education, Public Health and Public Protection which for many years have been the three largest recurrent items in the State's budget. It can, however, be claimed that educational facilities were enlarged and improved, law and order were well maintained and medical work was developed.

In addition to the usual grants to the Municipalities the Government presented a new fish, meat and vegetable market to the Manama Municipality, to cater for the people living in East Manama, and also paid for a new fire engine. Extra grants amounting to Rs. 60,000 per annum were made to the Muharraq and Rafaa Municipalities.

Unforeseen expenditure included 9 lakhs refunded to the Food Control Department to meet a loss on sugar which had been purchased by the Government during the last three years. This payment was in fact a subsidy to keep down the price of sugar ; sugar was also used as barter to encourage meat imports from Persia at a reasonable price. Few people realise that the prices of sugar and meat, and in the past, other essential foods, have since early in the war been subsidised by the Government.

Special legal expenses amounted to two lakhs. The cost of the aerial survey, carried out by Messrs. Hunting Aerosurvey, and the preparation of maps, etc., amounted to 1-1/5 lakhs, ; donations to fire victims and contributions by the Government to the T.B. Fund came to 1½ lakhs ; the expenses incurred by the visit of the Ruler of Kuwait amounted to Rs. 60,000 and the cost of His Highness's official visit to Europe was Rs. 1,18,000.

The total expenditure by the Public Works Department was 50 lakhs. Out of this sum almost 10 lakhs was spent on productive works such as blocks of flats, offices, etc. for letting ; 4 lakhs was spent on stores ; 4½ lakhs on roads and the remaining amount on a number of large and small building projects which included the new Palace, a block of staff quarters at Qudhabia, consisting of six European style flats ; quarters for teachers above the Technical School; extensions to the Qudhabia Palace ; new Customs Sheds ; a Jetty and sea reclamation in the customs area ; additional private wards in the Government Hospital ; married lines for the Police at the Fort, and many additions to schools, dispensaries, offices and other Government premises.

The summary of Revenue and Expenditure shows that by the end of the year the Reserve Fund was 464½ lakhs, invested in British and Indian stock and the Government held over 42½ lakhs in various current accounts. Other assets of the State were the Government's investment in the Electricity Supply Undertaking, over the last 25 years, amounting to 64½ lakhs ; a similar investment in the Manama Town Water Supply of 13 lakhs over the last five years, and an investment of 20 lakhs in the new gas-electric scheme.

Budget 1373 (Revenue). The estimated oil revenue is 386½ lakhs of which 310 lakhs is Income Tax, on the 50-50 basis, and 76½ lakhs is the payment on imported oil at the rate of 2 annas per barrel. It is assumed that the quantity of oil produced and imported will be the same as in 1372. The estimated oil revenue is 188½ lakhs more than was estimated in the 1372 budget, which was made before the new 50-50 arrangement was finally agreed upon, and 146 lakhs more than last year's actual oil revenue.

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Customs receipts have continued to rise ; they are estimated at 90 lakhs, a figure which is based on the average of the actuals of the last three years. Last year the Customs produced 105¼ lakhs.

The income from investments of the Reserve Fund has risen from a little more than 12 lakhs, in 1372 to 17¾ lakhs.

Land revenue, which includes registration fees on sales and titles, rents of land occupied by barasti dwellers and proceeds from sales of land has been assessed at 2 lakhs. Last year more than twice this sum was received, mostly from sales of land ; it is unlikely that there will be as many sales as in 1373 as little land remains which the Government is willing to dispose of.

Medical receipts are higher partly because X-Ray charges and sales of drugs are now under "Revenue" instead of being deducted from expenditure.

Under revenue from public works there is a decrease in income from bridge tolls. On his return from England His Highness abolished tolls on private cars, which was a popular move among car owners, who could in fact more easily afford to pay the small toll charge. Rents from buildings have increased. This item is the revenue from leases of blocks of flats and government owned shops ; it is one of the few forms of productive local investment in which the Government can participate.

The total estimated revenue for 1373 is 507¼ lakhs as against an estimated revenue of 304¼ lakhs in 1372. In 1372 however, the actual revenue exceeded the budgeted revenue by 69 lakhs owing to certain payments of oil revenue under the new oil agreement being received during the year.

Expenditure. Expenditure has increased considerably, the largest item being the one-third oil revenue which is paid to the Privy Purse of the Ruler ; from this he pays the Civil List which includes a large number of members of the Ruling Family. The oil payment to the Ruler increases according to the oil revenue and now amounts to 128¾ lakhs, slightly under one million pounds.

State Departments will cost about a lakh more than in the previous year ; the reason for this, and for increases in other departmental expenditure, is the automatic annual increment system, applicable to a large proportion of employees, and an adjustment in salaries which was made in 1372 when "cost of living" allowances were abolished and consolidated rates of pay were instituted. This also increased the Government's contributions to the Employees' Provident Fund which is now assessed on their consolidated pay.

Education will cost 35¾ lakhs, 9 lakhs more than in 1372 ; of this increase 6¼ lakhs is on account of boys schools, 1¼ lakhs for girls schools and one-third lakh is for technical education. More boys are being given scholarships to complete their education abroad and more schools are being opened in Bahrain. There is always a demand for more schools from both towns and villages.

The cost of health services is also rising rapidly ; it now amounts to 34 lakhs and has increased by 10-1/3 lakhs since last year. This sum includes provision for considerable development of medical work, but against this figure can be set medical receipts totalling 3¼ lakhs. Neither the Education or Public Health budgets include the cost of new buildings, new schools, hospitals and dispensaries. These works form part of the Public Works budget.

Provision has been made under Public Protection to raise the Police Force to 350 N.C.O's and men, though it is probable that the full complement will not be enlisted during the year.

Subsidies to Municipalities amount to 2¼ lakhs ; they also receive half of the revenue from bridge tolls. Though Manama, and to a lesser extent, Muharraq, are wealthy cities yet their citizens, as represented by the Municipal Councils, expect to be financed almost entirely from Government grants.

651 The allocation to the Transport Department is less than in last year's budget, as in 1372 a quantity of new equipment was bought.

652 A very large programme of work is to be carried out by the Public Works Department during the year. This is described in a separate statement. To cope with it effectively the staff of the department has to be enlarged.

Specifications for the deep water pier near Jufair are being prepared by the Government's Consulting Engineers in London. Only the causeway leading to the pier will be constructed by the Public Works Department, the dredging and the construction of the pierhead will be carried out by outside firms.

It is unlikely that much progress will be made on this project during the year, apart from the causeway, so 20 lakhs has been provided for the scheme.

The sum of 40 lakhs has been set aside for the Electric-Gas scheme which embodies an extension of electric power to all the towns and villages in Bahrain. At present only Manama and Muharraq are supplied with electricity.

During the year it is hoped that 135¼ lakhs may be added to the Reserve Fund.

A fact of interest which emerges from the budget is that if all new works and schemes were excluded from the budget the revenue from sources other than oil would be sufficient to pay for the administration and running of the state on the present scale. The total revenue, without oil, is 121 lakhs, the total expenditure, excluding the one-third of the oil revenue which is paid to the Ruler, new projects and works, and without a contribution to the Reserve Fund, is 119¼ lakhs.

The following figures show, roughly, how the oil and other revenue has been used since the State first received royalties from oil :

OIL RECEIPTS

Oil Royalty, less one-third, paid to the Privy Purse, from 1354 until 1368 (15 years)		Rs. 299,95,000
1369 Royalty at Rs. 3/8 per ton and Rs. 10/-		62,55,000
1370 Royalty at Rs. 10/- per ton		92,26,000
1371 Royalty at Rs. 10/- per ton		94,01,000
1372 Income Tax		103,92,000
1373 Income Tax received during period ending on 31st December, 1953 (relating to 1952) and payment at the rate of Rs. 10/- per ton on exported oil for the first half of 1953		103,70,000
		Rs. 756,39,000
Duty on imported oil, less one-third paid to the Privy Purse :		
1370	Rs. 10,00,000	
1371	40,00,000	
1372	56,39,000	
Until 31st December, 1953	12,56,000	
		118,95,000
Total		Rs. 875,34,000
Reserve Fund		
Capital Accounts		Rs. 562,40,000
Electric Supply, Water Supply and Electric-Gas Scheme		96,98,000
Loans Advanced		
Foodstuffs Account	3,46,000	
Gulf Aviation Company	8,00,000	
Deposit Account	12,53,000	
		23,99,000
Cash in hand		47,88,000
Closing Balance, 31st December, 1953		Rs. 731,25,000

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In addition, during the period between 1935 and 1953 the Public Works Department incurred the following expenditure :

Revenue producing projects (shops, flats and buildings for rent) ..	Rs. 46,80,000
Unproductive projects (Public buildings, staff quarters, offices, hospitals, schools, etc.)	149,84,000

The principal works which were carried out by the P.W.D. during the period between 1935 and 1953 are shown below. This list does not include projects which were carried out before the State possessed any oil revenue, such as the Manama-Muharraq causeway, which in those days cost only 7½ lakhs.

Shops and Flats on Lease		
House at Quadabiya	Rs. 50,000	
Shops and Offices on Barrett Road	7,04,000	
Post Office and Flat	1,57,000	
Flat over Manama Police Station	72,000	
Dilmun House (Flats)	8,05,000	
Shops and Flats south of Dilmun House	1,94,000	
Tylos House (Flats)	5,61,000	
Awal House (Flats)	7,01,000	
Aradus House (Flats)	9,25,000	
Workmen's Houses	5,11,000	
		46,80,000
Government Offices, Bab al Bahrain		5,56,000
Customs Buildings, Sheds, Pier Extension, Jetty, Crane and Railroad		27,50,000
Law Court and Flats		1,24,000
P.W.D. Building, Flat and Stores		4,86,000
Transport, Shed, Stores, Officer's flat and Filling Station		4,14,000
British Staff Quarters (Old Quarantine)		7,11,000
Quadabiya Palace Extension		3,11,000
Public Security		
Fort Extension, Police Houses (Fort) and Police and Natur Stations in Bahrain ..		11,56,000
Public Health		
Hospitals and Dispensaries	16,25,000	
Nursing Sisters' House	2,20,000	
Indian Staff Quarters	3,83,000	
T.B. Sanatorium and Lunatic Asylum	3,20,000	
Health Office and Flat	4,78,000	
Staff Quarters on Rafaa Road (in progress)	1,68,000	
		31,94,000
Education		
Muharraq and Manama West School Extension: Teachers' Quarters, West School, Budaiya, Rafaa and Village Schools, Muharraq Girls' School	5,40,000	
Hostel	11,66,000	
Secondary School	5,71,000	
Al Zahra School (Girls)	6,48,000	
Muharraq Boys' School	5,23,000	
Quarters over Technical School Building	5,24,000	
Staff Quarters, Girls' Education	1,10,000	
		40,82,000
New Quadabiya Palace (in progress		12,00,000
		Rs. 196,64,000

Towards the end of the year His Highness agreed that in future the budget of the State and the annual accounts should be done according to the Gregorian Calendar provided that for the time being, monthly salaries should continue to be paid according to the Hejira Calendar. This somewhat complicated transition is being achieved by a supplementary budget being made to cover the period from 1st January, 1954 till 31st December, 1954.

SUMMARY OF REVENUE AND EXPENDITURE FOR YEAR 1372

Revenue			Expenditure		
Balance from year 1371 :			Expenditure 1372		248,67,846 10 11
Reserve Fund	335,87,929 15 2		Balance at end of Dhulhaj, 1372 :		
Capital Accounts and Advances	132,06,458 11 5		Reserve Fund	464,25,675 12 6	
Cash on hand	38,21,911 5 7		Capital Accounts and Advances	124,06,233 3 10	
	506,16,300 0 2		Cash on hand	42,82,558 6 2	
Revenue 1372	373,66,014 1 3			631,14,467 6 6	
	Rs. 879,82,314 1 5			Rs. 879,82,314 1 5	

Balance explained :—

			Face Value.	Purchase Value.
Reserve Fund :				
3 per cent. Indian Government Loan, 1963/65			113,28,200	108,57,058 10 11
2½ per cent. Indian Government Loan, 1960			10,00,000	10,05,315 15 6
3 per cent. British Saving Bonds, 1955/65	£6,00,000		80,00,000	80,33,615 9 5
3 per cent. British Saving Bonds, 1960/70	14,50,000		193,33,333	169,73,712 7 8
3 per cent. British Transport Stock, 1978/88	2,25,000		30,00,000	27,69,113 1 0
4 per cent. Funding Loan, 1960/90	5,00,000		66,66,667	67,86,860 0 0
			493,28,200	464,25,675 12 6
Capital Accounts and Advances :				
Electric Supply Department		64,42,879 6 5		
Water Supply Department		92,92,242 7 8		
Gas Scheme		20,52,000 0 0		
Foodstuffs Account		8,95,332 13 2		
Deposit Account		9,23,778 8 7		
Loan Advanced to Gulf Aviation Co., Ltd.		8,00,000 0 0		
				124,06,233 3 10
Cash in hand :				
Imprest Accounts		19,400 0 0		
Eastern Bank Ltd., London		31,91,393 4 6		
Eastern Bank Ltd., Baghdad		341 14 6		
Eastern Bank Ltd., Bombay		10,362 8 10		
Reserve Bank of India, Bombay		5,29,880 14 6		
Eastern Bank Ltd., Bahrain :				
Consolidated Fund	4,67,518 10 9			
Police Account	53,490 0 11			
Education Account	10,171 0 2			
		5,31,179 11 10		
				42,82,558 6 2
			Rs.	631,14,467 6 6

4: Bahrain G-5 (no date) 1953 M22 Bahrain M22

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STATEMENT OF REVENUE AND EXPENDITURE—1372

Revenue				Expenditure			
OIL RECEIPTS :				**PAYMENTS TO THE PRIVY PURSE :**			
Income Tax	155,84,326 3 7			One-third Oil Income Tax	51,92,426 15 6		
Duty on Imported Oil	84,58,415 11 1			One-third Duty on Imported Oil	28,19,122 4 10		
		240,42,741 14 8				80,11,549 4 4
Customs Receipts including Import Yard Charges, etc.		105,44,435 8 0		Advocate		1,84,091 1 6
Interest on Reserve		11,76,952 4 4		Accounts and Audit		1,72,907 12 9
Interest on Loan		40,000 0 0		Customs Department		7,01,332 4 6
Land Revenue		5,40,270 13 0		Land Registration Department		1,18,924 13 3
Education Receipts		25,881 14 0		Passport Department		1,28,263 15 0
Medical Receipts		2,33,756 5 0		Food Control Department		63,732 10 0
Car Taxes and Driving Licences		1,34,118 15 0		Awkaf Departments		47,653 12 0
Passport Receipts		53,989 8 0		Minors Estates Department		30,148 12 0
Judicial Receipts		53,562 2 0		Law Courts		1,37,687 11 0
Public Works :				Sheraa Courts		49,203 5 0
Bridge Tolls	1,33,145 13 4			Education		26,87,906 8 9
Rent of Government Buildings	1,82,656 8 0			Public Health		23,53,249 13 4
		3,15,802 5 4		Public Protection		16,54,893 10 1
Oil Inspection Fees		1,43,466 2 0		Municipalities		4,93,193 15 8
Miscellaneous Receipts		61,036 5 11		Oil Inspection Department		79,674 14 9
		373,66,014 1 3		Agriculture		1,45,137 15 9
Balance from year 1371		506,16,300 0 2		Transport Department		4,51,979 3 3
				Unforeseen		17,32,056 5 0
				Public Works :		
				Recurrent :		
				Public Works Department	1,68,711 6 7	
				Shaikh Hamad Bridge	30,815 15 0	
				Maintenance Roads	2,34,997 12 2	
				Annual Repairs Government Buildings	1,69,733 9 9	
				Non-recurrent :		
				New Works and Stores	50,12,663 6 0	
						56,16,922 1 6
				Deep Water Pier		7,336 13 6
						248,67,846 10 11
				Balance at end of Dhulhaj, 1372		631,14,467 6 6
	Rs.	879,82,314 1 5			Rs.	879,82,314 1 5

4: Bahrain G-5 (no date) 1953 MZ2 Bahrain MZ2
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PRINCIPAL HEADS OF REVENUE	Estimates 1372	Total Estimates 1372	Actuals 1372
	Rs.	Rs.	Rs.
1. *Oil Receipts* :			
(a) Income Tax	138,00,000		135,84,300
(b) Duty on Imported Crude Oil	60,00,000		84,58,400
		198,00,000	
2. *Customs Receipts* :			
(a) Customs and Import Yards	83,47,500		104,22,100
(b) Miscellaneous	52,500		1,22,300
		84,00,000	
3. *Interest* :			
(a) Interest on Reserve	10,75,000		11,77,000
(b) Interest on Loan Advanced	40,000		40,000
		11,15,000	
4. *Land Revenue* :			
(a) Fees from Sales Registration	1,25,000		1,28,200
(b) Sales of Government Lands	60,000		3,51,100
(c) Rents of Government Lands and Aerodromes	48,000		61,000
		2,33,000	
5. *Education* :			
(a) Boys' Schools	10,000		9,100
(b) Girls' Schools	10,000		12,400
(c) Technical School	5,000		4,400
		25,000	
6. *Medical Receipts* :			
(a) Nursing Home Fees	65,000		92,000
(b) General Fees	52,000		63,900
(c) Quarantine Fees	53,000		53,000
(d) Miscellaneous	—		24,900
		1,70,000	
7. *Car Taxes and Driving Licences*		95,000	
8. *Passport Receipts*		72,000	
9. *Judicial Receipts* :			
(a) Court Fees	35,000		45,900
(b) Fines	10,000		7,700
		45,000	
10. *Public Works* :			
(a) Bridge Tolls	1,45,000		1,33,100
(b) Rent of Government Shops and Buildings ..	1,90,000		1,82,600
		3,35,000	
11. *Oil Inspection Fees*		1,60,000	
12. *Miscellaneous Receipts*		10,000	

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BUDGET—1373

	Total Actuals 1372 Rs.	Estimates 1372 Rs.	Total Estimates 1373 Rs.	PRINCIPAL HEADS OF EXPENDITURE
		310,00,000		1. *Payments to the Privy Purse* :
0		76,50,000		(a) One-third of Income Tax .. .. ..
-	240,42,700	———	386,50,000	(b) One-third of Duty .. .. ..
0		89,50,000		2. *State Departments* :
0		50,000		(a) Adviserate .. ..
-	105,44,400	———	90,00,000	(b) Accounts and Audit .. .. ..
				(c) Customs Department .. .. ..
				(d) Land and Registration Department ..
				(e) Passport Department .. .. ..
0		17,70,000		(f) Food Control Department .. ..
0		40,000		
—	12,17,000	———	18,10,000	3. *Judicial Departments* :
				(a) Awkaf Departments .. .. ..
0		1,00,000		(b) Minors Estates Department .. ..
0		40,000		(c) Law Courts .. ..
0		60,000		(d) Sheraa Courts .. ..
-	5,40,300	———	2,00,000	
				4. *Education* :
0		10,000		(a) Boys' School .. ..
0		10,000		(b) Foreign Education .. .. ..
0		5,000		(c) Religious Schools .. .. ..
-	25,900	———	25,000	(d) Girls' Schools .. ..
				(e) Technical School .. .. ..
0		1,00,000		5. *Public Health* :
0		80,000		(a) Hospitals and Dispensaries .. ..
0		1,00,000		(b) Anti-Malaria Works .. .. ..
0		70,000		(c) Quarantine .. ..
-	2,33,800	———	3,50,000	(d) Miscellaneous .. ..
	1,34,100		1,25,000	6. *Public Protection* :
	54,000		75,000	(a) State Police .. ..
				(b) Natura .. ..
0		50,000		(c) Jails .. ..
0		10,000		
—	53,600	———	60,000	7. *Municipalities* :
				(a) Manama .. ..
0		91,000		(b) Muharraq and Hedd .. .. ..
0		2,09,000		(c) Rafaa .. ..
-	3,15,700	———	3,00,000	
	1,43,500		1,40,000	8. *Oil Inspection Department* .. .. ..
	61,000		10,000	9. *Agriculture* .. ..
				10. *Transport Department* .. ..
				11. *Unforeseen* .. ..
				12. *Public Works* :
				(a) Public Works Department .. ..
				(b) Shaikh Hamad Bridge .. .. ..
				(c) Maintenance Roads .. .. ..
				(d) Annual Repairs Government Buildings
				(e) New Works .. ..
				13. *Deep Water Pier* .. ..
				14. *Gas Scheme* .. ..
				15. *Electric Supply Department* .. .. ..
				Surplus for Investment .. ..
	373,66,000		507,50,000	

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Estimates 1372 Rs.	Total Estimates 1372 Rs.	Actuals 1372 Rs.	Total Actuals 1372 Rs.	Estimates 1373 Rs.	Total Estimates 1373 Rs.
46,00,000		51,92,400		103,33,000	
20,00,000		28,19,100		25,50,000	
	66,00,000		80,11,500		128,83,000
2,10,000		1,84,100		2,10,000	
1,50,000		1,72,900		1,74,000	
7,60,000		7,01,300		7,82,000	
1,17,000		1,18,900		1,46,000	
88,000		1,28,500		1,11,000	
75,000		63,700		50,000	
	14,00,000		13,69,200		14,73,000
44,000		47,700		56,000	
30,000		30,200		30,000	
1,30,000		1,37,700		1,52,000	
56,000		49,200		60,000	
	2,60,000		2,64,800		2,96,000
19,60,000		18,29,500		24,70,000	
2,00,000		2,00,200		2,75,000	
40,000		27,400		50,000	
5,25,000		5,48,000		6,70,000	
96,000		82,800		1,13,000	
	28,21,000		26,87,900		35,78,000
20,28,000		20,50,800		28,15,000	
2,50,000		1,92,500		2,50,000	
1,00,000		1,30,100		2,50,000	
—		—		75,000	
	23,78,000		23,53,200		33,90,000
14,19,000		12,58,000		15,49,000	
3,94,000		3,77,600		3,92,000	
34,000		19,100		34,000	
	18,47,000		16,54,900		19,75,000
1,00,000		3,09,100		1,00,000	
1,20,000		1,49,100		1,20,000	
20,000		35,000		20,000	
	2,40,000		4,93,200		2,40,000
	65,000		79,700		70,000
	60,000		1,45,100		1,00,000
	79,000		4,52,000		1,20,000
	1,60,000		17,32,000		1,25,000
1,95,000		1,68,700		2,20,000	
35,000		30,800		35,000	
1,50,000		2,35,000		1,50,000	
1,00,000		1,69,700		1,45,000	
56,30,000		50,12,700		64,00,000	
	61,10,000		56,16,900		69,50,000
	40,00,000		7,300		20,00,000
	—		20,52,000		40,00,000
	13,00,000		18,77,600		—
	52,00,000		128,37,700		135,50,000
	304,60,000		416,35,100		507,50,000

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5: Bahrain G-5 (1926-1937) 1937 MZ2 Bahrain MZ2

FINANCE

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Revenue. Until two years ago almost the whole revenue of the State was derived from the customs dues upon imports whose quantity depended mainly upon the success of the pearl trade. Pearls themselves have never been taxed, although it has frequently been stated in the European press that Bahrain derived its revenue from direct taxation of pearls. It has been the consistent policy of the Government to encourage the diving industry by charging no dues on the import and export of pearls. The pearl trade was formerly the only local industry of any importance in Bahrain.

During the first four or five years of the period under review, for which I give the financial figures for twelve years in this report, Bahrain was in a prosperous condition and dependent for its revenue upon local resources. Probably few countries in the world which can boast of any form of administration have been subject to such slight taxation as Bahrain. Apart from the 5% customs tax on imports, no form of taxation existed in Bahrain except a small municipal house tax in Manamah and in Muharraq. Land tax, date-tree tax, Ashur and Zikat have never been levied, and the country people pay no taxes except the duty on imports. This condition is very different from that existing in neighbouring States such as Persia and Saoudi Arabia.

During the first few years of the period mentioned in this report the average revenue was about eleven lakhs per annum, and this sum in those days was sufficient for the administration of the country as well as for carrying out various important public improvements, including sinking artesian wells, installing electric light and power, and constructing some important works such as roads and buildings.

In 1348 (June 1929—May 1930) there was an alarming fall in the revenue due to the slump in the pearl trade which was owing to general financial depression in Europe, and especially the increasing competition of cultured pearls which were produced in Japan. From then, until money began to pour in from oil, the income of the State decreased rapidly, and the financial future of the State caused the gravest anxiety to those who controlled its finances. In spite of drastic economies, reductions in staff and cuts in the Civil List and in the pay of all Government servants, it became necessary to draw upon the very small reserve fund during two years, in order to provide for the much-reduced annual expenditure which was required for the maintenance of the administration and the protection of the country.

It was fortunate that at that time the State had no heavy financial obligations to meet, such as repayment of loans or outstanding debts on account of public works. By reducing expenditure by cuts in pay and by increasing the 5% *ad valorem* customs duty to 10% on certain luxury articles, and to 15% on tobacco and liquor in 1352 (April 1933—April 1934), and by appropriation from the Reserve Fund, it was possible to weather the storm. This could not have been done without the co-operation of the general public, the Ruling Family, and all Government employees, who appreciated the position and accepted the changes without opposition.

The most acute years of the crisis in Bahrain were 1351 and 1352 (May 1932—April 1933 and April 1933—April 1934). In these years the revenue shrunk to Rs 6,84,000/- and Rs 7,26,000/-. In 1353 (April 1934—April 1935), the Bahrain Government sold to the British Government three large areas on Muharraq island and Manamah, from which the net profit to this Government was just over one lac. Although this sum was not normal revenue, it was included in the revenue of the year and it enabled me to balance the Budget.

During 1354 over five lakhs were received from the oil royalty, the total revenue was Rs 13,40,000/-, which was one lakh more than any previous year. At the end of the year the Reserve Fund was increased from two lakhs to four lakhs, cuts in pay were restored, and increased expenditure was authorised for State Protection and Public Services, including medical and educational services and the monthly grants to the municipalities, which had been reduced by 50%, were restored to the previous amount. The oil payment was made at the very end of the year and it was very much greater than that shown in the Budget for 1354.

The revenue for 1355 (March 1936—March 1937) was Rs 16,47,000/-, of which Rs 6,92,000/- was oil royalty.

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The financial progress of Bahrain during these years has been briefly as follows: five years of prosperity during which the State depended upon the diving industry, two lean years when the pearl market began to droop, two years of crisis during which the revenue did not cover the expenditure, one year of slight recovery followed by a sudden large increase of revenue from oil. It is likely that during the present year the revenue from oil alone will amount to more than double the total revenue of any previous year.

A detailed report on the revenue of these years is not necessary as it has been dealt with minutely in annual reports, but the accompanying figures show the annual income with explanations of any unusual rise or fall. The subject of this report is the last ten years, and it is not proposed in this report to deal with the future, but it may be stated that, in my opinion, the most urgent need for the State is to provide itself with a solid Reserve Fund which will assure it a regular income which can be depended upon even when oil begins to run dry. Unfortunately it is the nature of Arabs to be over-optimistic and to pay small heed to the future, so the need for building up this reserve will not be generally appreciated.

Year.	*Customs Revenue.*	*Other Revenue.*	*Oil Royalty.*	*Total.*	*Remarks.*
	Rs	Rs	Rs	Rs	
1344	8,82,000	1,80,000	—	10,62,000	
1345	10,68,000	3,37,000	—	14,05,000	
1346	11,43,000	97,000	—	12,40,000	
1347	11,24,000	91,000	—	12,15,000	
1348	9,98,000	1,36,000	—	11,34,000	
1349	6,89,000	1,28,000	—	8,17,000	
1350	6,85,000	1,19,000	—	8,04,000	
1351	6,00,000	84,000	—	6,84,000	
1352	6,08,000	89,000	29,000	7,26,000	
1353	6,57,000	1,63,000	67,000	8,87,000	
1354	6,91,000	83,000	5,68,000	13,42,000	
1355	8,74,000	81,000	6,92,000	16,47,000	

THE STATE POLICE AND PUBLIC SECURITY

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The Levy Corps.

In 1926 the armed forces of Bahrain consisted of a Levy Corps, a few Persian police who were originally enlisted by the Municipality, and a body of 'Naturs,' armed watchmen who patrolled the town at night. The Levy Corps provided a guard at the Political Agency and posts at Rufaa and Sitra. The Levy Corps, which consisted of so-called Baluchis recruited in Muscat, was commanded by a British Officer seconded from the Indian Army, assisted by an Indian Officer and several Indian N.C.O.'s from Punjabi regiments. In 1926 the Levy Corps was commanded by Captain Geake, who had succeeded Captain Campbell. The Levy Corps was intended mainly as a defence force in case of any serious disturbance or an attack on Bahrain by the Dawasir Arabs, who once lived at Bedeya but left Bahrain in anger some after Shaikh Hamad assumed control.

[CIT]

In the spring of 1926 it was decided that the Indian Army officer should be replaced by a British official, who would act as assistant Adviser and Commandant of the Levy Corps. Captain L. S. Parke was appointed in this capacity in place of Captain Geake, who returned to his regiment.

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Political Disturbances.

There was a general feeling of nervousness and unrest in Bahrain in 1926. Many people were afraid that the Dawasir would make a descent on the coast and a series of armed attacks on Shia villages, organised by disaffected members of the Ruling Family, were still fresh in the public mind. The present Ruler was not yet firmly established, many people were opposed to him, and in certain communities there was a feeling of bitter resentment against the new regime and the various reforms which had been introduced. Conditions were very different to what they are to-day: in the country few people would venture out unarmed at night, and in the towns there were frequent scares of armed attacks.

Little by little, the clashes became more frequent, and from the end of April 1923, fighting took place almost every day. 648

On the fourth of May, a regular fight took place between the inhabitants of the two villages of Badaiya' (populated by the Arabs of Nedj and Sunni), and that of Ali (inhabited by Persians of Shiah creed).

On the 9th of May, a band of armed Arabs attacked the Persians, killing three and wounding thirty-seven. Persian houses were sacked and occupants maltreated. The local government was unable to cope with the situation, and again the Arabs from Nedj received reinforcements from the mainland, and attacked Persian houses, stores, and villages. In this act of vandalism, 10 Persians were killed again, but the intervention of the local police, who were under the authority of the Persian Major, Muhammad Sharif, prevented further disaster by shooting on the assailants.

To reestablish order, the Political Agent had to call on British naval units which arrived on May 12th and 13th. Sheik Isa was held responsible and was asked to abdicate, but he convoked the council of his family, and they decided to refuse the demand. Confronted by the threats of the British Resident, however, he was "persuaded" to relegate his power to his son Sheik Hamed, who was declared Lieutenant of the Realm.

After his forced abdication, Isa, as a protest against the action which violated the rule of friendship, refused for more than five years to receive his son. Eventually, however, a reconciliation took place.

The Persian Mayor was sacrificed and his office suspended. 648
The national and foreign tribunals gave way to a Divan 652
formed by the Sheik and the Political Agent. An office of Ad- [692]
ministration of Finance was created, with a Briton at its head. Civil and military lists were established for the Sheik and his family. The English Bank of Manama, the Eastern Bank, was assigned to function as the Government Treasury. The legal provisions of the Bahrein Order in Council of 1913 were enforced.

64: Shwadran S-4 (no date) 1955 Ml Middle East
Bahrein M22

652 651 There have also been other implications. The Sheikh, the Government and the people have become increasingly, in fact almost exclusively, dependent on the oil. In 1932 the entire government budget was about $143,600; in 1951 the total government revenue was $5,271,000, of which approximately 61 per cent came from oil and 34.9 per cent from customs duties,[24] which must be considered an indirect result of the oil industry. In 1953 the Government revenue was derived 68 per cent from oil, 24 per cent from customs duties, and 5 per cent from interest on the reserve fund.[25] The oil boom also created inflationary pressures which caused many Bahreinis to seek employment in other oil-producing areas in the Gulf. Because of its central location, the I.P.C. subsidiary, Petroleum Concessions Ltd., which held concessions in Qatar and on the Trucial coast, had made its Gulf headquarters in Bahrein and built large offices and houses for its staff. Bahrein had become a resort and shopping center for the oil employees, especially Americans and Europeans, in Saudi Arabia and Qatar. These not only added to the inflationary pressures, but so greatly increased the social vices of gambling, drinking, prostitution and their concomitants as to cause grave concern to those responsible for the health and welfare of the population.[26]

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185 The Bahrein islands are limited in area and in resources; oil, in a more definitely limited quantity than that of any of the other areas in the Gulf, is the only resource supporting the Sheikh, the Government and its extended services, and also to a considerable degree the people at large. Though perhaps originally a little more advanced than some of their neighbors, the people of Bahrein, prior to the discovery of oil, had a low standard of living and consequently a very low standard of governmental and social services. When the pearling industry suffered a serious setback as a result of the world depression and the development of cultured pearls, Bahrein was in a desperate situation. With the arrival of the Bahrein Petroleum Company,

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aroughy, *The Bahrein Islands*, 20 *et passim*; "Oil and Bahrein," *The World Today*, VII, 77-79, Feb., 1951; Bell, *loc. cit.*

[24] Bahrain Petroleum Company, Limited, *Bahrain 1952* (pages not numbered).

[25] Angus Sinclair, "The Resources and Their Potentialities. III, Petroleum and Minerals," in *Middle East Resources Problems and Prospects* (Washington, 1954), 46. The 68 per cent of the revenue directly from oil did not include the one-third which went to the Sheikh.

[26] "Oil and Bahrein," *The World Today*, VII, 79, 81-85, Feb., 1951; Faroughy, *The Bahrein Islands*, 20 *et passim*.

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the islands entered a new era. Governmental services, education, health, housing, sanitation and other services gave the Bahreinis one of the best living standards of the area. This was the result not only of the income derived from the Company—although the Company contributed directly to the raising of the standards and the direct revenue from its operations made these improvements possible—but was primarily due to the Government's determination to utilize the income for constructive purposes. This achievement must be ascribed first to the British Government which (in spite of all disclaimers) controls the government of the Sheikh, and, secondly, to the Sheikh's adviser, J. H. W. Belgrave. It was no doubt the British Government's decision to divide the revenue from the oil into three parts, allowing the Sheikh only one-third, earmarking another third for current expenses and general development, and leaving the rest to be invested. This is perfectly illustrated by the Government's expenditure budget for 1953.[27]

But with the improvements also came drawbacks; a serious breakdown in social and religious loyalties, and an alarming rise in the social vices. Education deteriorated to an emphasis on those subjects which guaranteed employment in the petroleum industry. It has been observed that some Bahreini students know more English, even though only superficially, than Arabic; the eagerness for employment caused many parents to take their children out of school long before their graduation even from primary school. Yet even with this limited education and the experience of employment with Bapco, some of the workers began to show symptoms of discontent. They demanded that the Company allow trade unions in its operations, and that Bahreinis have more control over the Company.[28] All in all, considering the conditions of the islands and the general stage of the people's development, one must conclude that the discovery of oil has brought Bahrein pros-

[27] Government operating expenses including administration, courts and public protection, $707,000 (9 per cent); health and education, $1,464,000 (18 per cent); public works, $1,453,000 (18 per cent); two capital works projects—gas supply for the city of Manama and a deep water terminal, $1,260,000 (15 per cent); surplus for investment, $2,846,000 (36 per cent). Sinclair, *loc. cit.*, 46.

[28] In July 1954 it was reported that a general strike had been proclaimed in Bahrein, directed against the ruler, Sir Salman Bin Hamad Al Khalifah, for failure to reform the despotic regime. The strikers demanded that a commission be set up to examine reforms, including improvements of public health and education facilities. *Daily Telegraph* (London), July 12, 1954.